

# **NEW JERSEY DIVISION OF REVENUE**

## ***MISSION STATEMENT***

***The mission of  
the Division of Revenue  
is to define and effectively administer  
policies and procedures related to  
the management of cash receipts,  
accounts receivable, and  
collections and refunds  
on a centralized basis.***

# DIVISION OF REVENUE HIGHLIGHTS

- Governor Christine Todd Whitman issued Executive Reorganization Plan No. 001-1997 on January 14, 1997. This Plan, which became effective on March 15, 1997, created the Division of Revenue. The Plan transferred the responsibility for various debt collection and receipt processing functions to the newly created Division of Revenue.
- The purpose of the Plan is to consolidate revenue management within a single organization. Centralizing revenue management will provide for clearly defined and controlled policies and procedures, especially relating to the processing of cash receipts and the management of accounts receivable and collection of delinquent receivables.
- The results will be more effective and expeditious revenue processing with reduced expenditures, increased efficiencies, and the elimination of overlapping and duplication effort.

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## Management Services

Management Services is responsible for representing the Division of Revenue throughout State government, as well as supplying Division-wide support in the areas of management services, fiscal and procurement matters, personnel matters, and labor relations.

### Facilities Management

Facilities Management provides building maintenance and management services for the building that houses the Division. It is also responsible for managing and maintaining the Division's property, equipment inventory, and distribution of supplies.

### Mail Services

Mail Services provides mail pickup and delivery service for the Division of Revenue and the Division of Taxation. Almost 15 million pieces of incoming mail are handled each year by this unit.

### Fiscal, Personnel and Labor Relations

Management Services works in conjunction with the Department of the Treasury's Fiscal Office and Human Resources Office. The objectives are to coordinate, control, and maintain all requests for personnel, equipment, and budgetary needs, and to maintain control over all personnel matters, including disciplinary and grievance actions concerning Division employees.

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## Internal Audit

The Internal Audit unit is responsible for conducting financial, compliance and operational audits within the Division of Revenue to ensure that the goals of senior management are being performed in the most appropriate and efficient manner. The three areas in the Division that are being monitored are (1) Revenue Management, (2) Centralized Collections, and (3) Processing Operations. The Chief reports directly to the State Treasurer to maintain a position of objectivity and independence to achieve the audit mission and responsibilities. However, for practical purposes, the Chief reports to the Director of the Division of Revenue.

In addition to preparing audit reports, this unit assists in developing manuals for existing and new revenue systems to ensure that they are the most appropriate for the needs of the Division.

The Internal Audit unit also reviews audit reports issued by the Office of Legislative Services as they relate to revenue issues and makes recommendations to senior management. This also involves keeping abreast of current and pending legislation that would have an impact on the Division of Revenue.

In fiscal year 1997, the unit began a close-out audit on the Division of Law's Recovery 1 computer system to ensure that the approximately \$173 million in DMV surcharge debt has been properly converted to the Division's vendor contracted to perform centralized collections.

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## Processing Operations

Processing Operations is responsible for the processing of all tax returns, forms, and for the deposit of State revenues received and debts collected, as well as administering the programs that allow the public to submit electronic documents and payments to the Division of Revenue. The data systems functions for the Division of Revenue are also a part of this unit. It consists of three bureaus: Processing, Technology and Agency Internet, and Alternate Filing.

### Processing

This unit is responsible for the initial processing of all State tax returns, and the depositing of accompanying revenue. The unit also receives, sorts, and routes general correspondence concerning tax matters and billing and delinquency notices for the Division of Taxation.

Incoming documents and checks are extracted from their envelopes and reviewed for completeness by the Document Processing Section. These documents and checks are then prepared and routed to the appropriate area for additional processing by one of three methods: remittance processing devices, digital image scanners, or traditional data entry.

Imaged-enabled remittance processors take an image of the return and remittance, read taxpayer-specific information encoded on the return, read taxpayer-entered information from the tax return, and balance the amount due to the amount paid. Over 3.2 million returns and checks were processed through the remittance processors during fiscal year 1997.

Gross Income Tax returns and Homestead Property Tax Rebate applications are processed through full-page digital imaging scanners. Intelligent Character Recognition devices read information from hand printed returns and information entered into a machine-readable area generated by commercial tax preparation software packages. Over 2.4 million returns were processed through this system during the last tax season. This was an increase of 1.3 million returns over its initial year of implementation. Enhancements will continue to be made so that virtually every Gross Income Tax return will be scanned through the Document Processing System.

The Data Capture Section performs verification or correction of information not recognized through the automated process of Intelligent Character Recognition (ICR) and traditional data entry of those items requiring this method of processing. After processing activities are

completed, all remittances are prepared for deposit and the revenue is recorded into the New Jersey Comprehensive Financial System (NJCFS) through an automated interface or through on-line entries.

In fiscal year 1997, this unit received and processed over 8.6 million tax return with associated revenue of \$13.5 billion.

### Technology and Agency Interface

Technology and Agency Interface supports all the processing and office automation needs of the Division of Revenue. This includes acting as liaison to the Office of Telecommunications and Information Systems (OTIS), Federal agencies, and other State clients. This unit is responsible for the end user support of all processing and image systems within the Division of Revenue. The unit is also obligated to evaluate and integrate the appropriate new technology into Division processing operations.

This unit has participated in the change and enhancement of existing processing systems. This includes :

- Document Processing System modifications and enhancements for the 1997 tax processing system.
- Remittance Processing System and network modifications for Year 2000 compliance and Intelligent Character Recognition.
- Installation and support of a Division-wide office automation network and server.

### Alternate Filing

The Alternate Filing unit is tasked with exploring, evaluating, and implementing alternate methods of filing returns and remitting payments to the State. The two major programs currently in place are electronic filing of individual income tax returns and electronic payments of business taxes.

The Division of Revenue participates in the Federal/State Electronic Filing Program (ELF). This program allows for the filing of State and Federal individual income tax returns as well as New Jersey homestead rebate applications. Income tax returns can be refunds, zero balance, or balance due returns. During this second full year of the program the Division received 109,358 individual income tax returns, up from the 67,561 returns for the prior year.

The Electronic Funds Transfer Program (EFT) provides for the payment of most taxes. For fiscal year 1997, the Division received 1,053,270 transactions, up from the 393,952 of the previous year. The respective dollar figures were \$7.1 billion versus \$6.1 billion for the prior

year. During 1997, there was a total of 55,424 registered participants (30,714 mandatory and 24,710 voluntary). This total is an increase of 19,270 over the prior year.

This unit is currently exploring methods to expand these programs to build on the prior years' successes as well as applying these electronic processes to additional areas.

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## Revenue Administration

### Revenue Management

This unit is primarily responsible for managing all the functions as they relate to the proper accounting and reporting of Statewide revenue. In this regard, this unit will have a clear understanding of all relative promulgations in financial accounting as issued by the Government Accounting Standards Board (GASB). Also, it is responsible for developing and maintaining a Statewide system and policy for accounts receivable and case management, which is in full compliance with Government GAAP.

### Accounts Receivable

This unit is responsible for all revenue deposited by the Division of Revenue. It records the transactions in the New Jersey Comprehensive Financial System (NJCFIS) and reconciles the NJCFIS accounts with the bank deposits. Also, this unit processes dishonored checks and updates records so that the feeder systems can be updated and corrected to indicate that no payment occurred.

### Policy and Procedures

This unit implements standard, consistent, results-based performance measurements for accounts receivable and collections to facilitate accurate monitoring of accounts receivable at the State level and permit evaluation of each agency's collection efforts. These standards include measurements of the amount of total voluntary collections versus total billings for each type of receivable, the cost of collection efforts versus the amounts collected from these efforts (cost per dollar collected or dollars recovered per dollar spent, including mailings and postage, telephone costs, personnel costs, legal costs, etc.), the length of time required to resolve accounts receivable (days to collection), past due accounts receivable as a percentage of total receivable (past due percentage), write-offs as a percentage of past due accounts receivable (write-off percentage), and protests/appeals as a percentage of past due accounts receivable (protest/appeal percentage).

### Dishonored Check Unit

This unit is the final step in the accounting system of processing remittances that have been dishonored or otherwise unpaid by the makers' banks. It also serves as the first step in processing replacement funds and adjusting taxpayers' accounts.

## Client Registration

This unit was formerly known as the Taxpayer Registration Branch while it was part of the Division of Taxation. However, when the Division of Revenue was created, the name was changed to Client Registration. At the present time, the main responsibility of this unit is maintaining registration information on all businesses and individuals that are required by law to report and pay taxes in the State of New Jersey. The unit is also responsible for registration activities and related activities such as issuing licenses and certificates. The tax eligibility information that is maintained on the registration file facilitates the identification of taxpayers who fail to file required returns and mailing return forms and notices to taxpayers.

## Highlights

- During fiscal year 1997, this unit added 85,132 new taxpayers and made changes to over 138,000 accounts. It approved 15,754 cigarette retail licenses, 5,391 vending machine licenses, 97 distributors, 231 wholesale, 146 manufacturer licenses, 652 motor fuel retail licenses and 475 transport licenses.

## Transaction Audit

The Transaction Audit unit is responsible for resolving the problem situations preventing both individual and business tax returns from posting. This includes identifying system irregularities, developing enhanced computer processing criteria affecting the acceptance of returns, and correction taxpayer errors. The primary mission is to establish an environment where all documents will be accepted without manual intervention.

## Highlights

- During the 1997 tax season, nearly 215,400 income tax and homestead rebate-rejected items were resolved.

## Revenue Accounting

The Revenue Accounting unit accounts for all revenues deposited by the Division of Revenue. This unit maintains the Cigarette Tax System responsible for the distribution of cigarette tax stamps and records all related revenue. This unit reconciles all revenues with the State's financial system, disburses revenues allocated to county or local tax jurisdictions, processes tax payments for electronic invoices and smaller taxpayer base taxes that are not processed through the Division's mainframe computer system, and records all dishonored checks against tax payments processed by the Division.

## Highlights

- The Cigarette Tax unit sold and shipped 614.8 million tax stamps for revenue totaling \$243 million.
- The Revenue Accounting unit processed 72,574 electronic invoices for revenue totaling \$1.6 million.

## Revenue Collections

Revenue Collections is responsible for a comprehensive program for recovery of delinquent State revenues, for maintaining computerized subsidiary accounts receivable records, and related work as required.

### Enforcement Services

This unit performs collection enforcement activities on past-due accounts receivable for some executive branch agencies, and assists all State agencies in the recovery and resolution of their accounts receivable by providing specialized collections services in an efficient and cost-effective manner.

### Investigative Services

This unit provides investigative activities. The scope of these investigations is to find debtor addresses and telephone numbers; locate debtor assets such as bank accounts, investment accounts, accounts receivable, real property, or employers; and locate corporate officer information for business accounts.

### Enforcement Action Services

This unit is responsible for coordinating the automated and follow-up of wage garnishments, asset levies, real property liens, judgments, and other enforcement actions. Also, this unit is the point of contact for debtors to release real property liens, for courts in obtaining judgments, for employers in the execution of wage garnishments, and for banks or other institutions for the execution of levies. The use of judgments and the procedures to obtain judgments for delinquent liabilities are standardized across all liabilities.

### Policy & Procedure Section

This unit develops consistent guidelines and procedures for use of collection enforcement tools including wage garnishments, real property liens, seizures, tax refund offsets, and vendor offsets for the firm and consistent treatment of debtors across all debt types. It is also responsible for streamlining and simplifying the procedures and legal requirements for use of enforcement tools such as wage garnishments, judgment execution, and for developing policies and procedures to expand the use of professional license and permit revocations and denials for debtors.

## Set-Off of Individual Liability Program (SOIL)

In 1981, the Set-Off of Individual Liability (SOIL) Program was established by P.L. 1981, c.239. This unit administers the policies and procedures of the Program pursuant to N.J.A.C. 18:35-2.1 to 18:35-2.13.

The SOIL Program assists other State, county and local agencies, and the Internal Revenue Service (IRS) in their collection efforts by setting-off the Gross Income Tax refund and/or Homestead Rebate of taxpayers who are indebted to participating agencies. It also administers the set-off program that permits the State to take payments due State vendors who owe taxes without the need to file a Certificate of Debt.

Currently, there are 49 State agencies, 24 county agencies, 10 State colleges, the IRS, and 598 municipal tax collector offices participating in the Program.

### Highlights

- For the SOIL year ending in fiscal year 1996, \$13,235,764.95 was set-off. This figure is broken down by agency in the following table:

Department of Human Services Division of Family Development Child Support	\$ 3,835,975.51
Department of Labor	2,216,868.57
Department of Higher Education	1,900,665.22
Department of Human Services Division of Family Development Office of Information Systems	1,280,165.54
Municipal Tax Offices	1,125,611.55
Office of the Public Defender	928,671.02
Department of the Treasury Division of Taxation	778,695.63
Department of Health-Hospitals	605,507.65
New Jersey State Colleges	233,498.98
Internal Revenue Service	44,007.27
All Other Agencies	286,098.01
<b>Total</b>	<b>\$13,235,764.95</b>

## Collections Unit

This unit is responsible for the consolidation of Statewide debt and for the management of that debt until it is written off.

## Policy and Procedures Unit

This unit is charged with developing and implementing Statewide policies, procedures, and guidelines that assist in the collection of delinquent debt. The policies, procedures, and guidelines include data sharing across agencies for collection activity purposes, reducing the current time frame between collection actions, requiring the timely transfer of receivable items to the Division of Revenue for further collection action, establishing the frequency and timing of billings and delinquency notices, establishing the content and format of billing and delinquency notices, establishing the requirements for sending delinquent accounts to the Division of Revenue for further collection activity, and establishing the data gathering and verification procedures.

## Problem Resolution Unit

This unit is responsible for resolving disputes between the agencies and the debtors, specialized liability and financial problems such as misapplied or lost payments, and specialized information requests initiated by debtors or other agencies. This Unit ensures that both the debtors and the agencies have a timely and accurate mechanism for problem or complaint resolution.

## Delinquency Unit

This unit notifies debtors who are delinquent in paying their debts. This unit insures that all installment agreements are recorded consistently on the collection case management system and that the appropriate enforcement actions will be taken in a timely manner if the debtor defaults on the agreement.

## Contract Management

In addition to serving as the liaison between the contract vendors and the agencies, this unit is responsible for managing two major collection contracts, PAYCO American Corporation and Lockheed-Martin IMS. Since 1993, PAYCO has been contracted to provide services for collecting deficient taxes for the Division of Taxation. Since 1996, Lockheed-Martin IMS has been contracted to provide services for the collecting New Jersey Merit Rating Plan surcharges for the Division of Motor Vehicles. This unit also ensures that the contract vendors' activities comply with the provisions of the

contracts and monitors collection activities of the contract vendors.

## Highlights

- PAYCO collected \$27.4 million in deficient taxes in fiscal year 1997.
- Lockheed-Martin IMS collected \$112.4 million in surcharges in fiscal year 1997.